

## QUESTIONS AND ANSWERS

**Q: What is the “river corridor?”**

The river corridor consists of approximately 210 square miles beginning at the shores of the Columbia River and extending inland to the Central Plateau in the middle of the Hanford Site. The area encompasses the nine plutonium production reactors (100 Area), the reactor fuel manufacturing and research area near the City of Richland (300 Area), and the open areas in between these former major operational areas (600 Area).

**Q: Why is it necessary to clean it up?**

The river corridor has hundreds of waste sites and excess buildings that contain or are contaminated with radioactive or hazardous material. These areas pose a threat to the Columbia River and require remedial or cleanup actions to eliminate that threat and allow alternative uses or conservation of the land.

**Q: Who will administer the contract?**

The U.S. Department of Energy Richland Operations Office will administer the new contract.

**Q: What does a Request for Proposals do?**

A Request for Proposals invites interested offerors to propose how, and at what price, a contractor would accomplish a defined workscope. The U.S. Department of Energy will then choose the best proposal and award a contract for river corridor cleanup. A draft Request for Proposals asks for input prior to developing a Request for Proposals.

**Q: Who is the Hanford contractor performing environmental remediation work now and can it compete for the new contract?**

Bechtel Hanford Inc. is the current Environmental Remediation contractor. The competition is being held in the normal course of the procurement cycle. All interested companies can compete, including Bechtel.

**Q: How long will the contracting process take – from issuance of the draft Request for Proposal to award of the contract?**

The draft Request for Proposals will be issued on October 17, 2001 and the U.S. Department of Energy anticipates release of the final Request for Proposals by January 23, 2002. The U.S. Department of Energy anticipates awarding the contract within three to six months after proposals have been received.

**Q: What is a “closure contract?”**

The word “closure” implies that the contractor will work until the job is done and the site is “closed”, i.e., there will be no further Department of Energy work in the area. Closure also implies that when the work is complete, the contract requirements will have been satisfied and the contractor will depart the site. The Department of Energy could then petition the U.S. Environmental Protection Agency to remove it from the National Priorities List.

**Q. Why is the contract “phased?”**

There is a large portion of the River Corridor work for which regulatory approvals have not yet been secured and little if any design work has been performed. Most of this work is also planned to be performed in the later half of the Project. It was therefore decided to divide the Project into two phases. One of the objectives of Phase I would be to perform the Phase II design work and obtain the necessary regulatory approvals so as to reduce the uncertainty in the cost estimate for Phase II. The draft RFP requests offerors to propose to perform work for both phases with Phase II being proposed as an option. The Department of Energy will have the unilateral right to exercise the option after Phase I is well along.

**Q. How will the contract differ from others at Hanford?**

The planned contract will differ greatly from previous Hanford contracts and contain many innovative features. Phase I will be performed on a “Cost Plus Incentive Fee (CPIF)” basis similar to the Waste Treatment Plant (WTP) contract but Phase II will be a “Fixed Price Incentive Successive-targets” (FPIS) contract. The contract will contain features for accommodating uncertain budget profiles not used before in the Department of Energy system. The contract requirements have been selected with the objective of simplifying and minimizing requirements and clarifying the roles of the Department of Energy and the contractor.

**Q. Why will the contract contain these innovations?**

The Department wishes to improve contracting by increasing and encouraging competition, and providing contracting features that accelerate work and reduce cost. Accompanying these incentives will be the expectation that the selected contractor will make binding commitments and take reasonable risks.

**Q. How will the Request for Proposals attract more competition?**

The contract can be quite remunerative to a company that performs well. The contract will have a high fee earning potential for the outstanding performer. In addition, there is the potential to nearly double the work scope through the exercise of the option to perform Phase II.

**Q. How high is the fee earning potential?**

Offerors will propose a target cost and a target fee with their proposals. For every dollar the selected contractor completes the project below target cost, it receives 30¢ up to 15% of the target cost. If, for example, the selected contractor had bid Phase I at a target cost of \$1.3 billion and a target fee of 8%, and delivers the project at \$1.0 billion, it will earn a fee of \$194 million, or 19.4% of incurred cost, a healthy return.

**Q. Aren't fees of this magnitude too high?**

Remember, for every dollar saved, if the contractor gets 30%, then the DOE (and the taxpayer, as a consequence) will get 70%. Everybody wins.

**Q. Does it work the other way in the event of cost overruns?**

Yes, it does. In the reverse of the example above, if the selected contractor had bid Phase I at a target cost of \$1.0 billion and a target fee of 8%, and delivers the project at \$1.3 billion, its fee would be \$20 million, or 1.5% of incurred cost.

**Q. Is there any limit to how high the target fee can be in the initial proposals?**

Yes, the target fee percentage is limited to 8.5%. In their proposals, offerors can propose any target fee percentage up to 8.5%.

**Q. How will the DOE protect itself against offerors who propose excessive target costs to reap higher fees?**

The Department of Energy has a good idea of what the costs are expected to be to complete Phase I. Part of the process of evaluating the proposals in response to the Request for Proposals will be to evaluate the realism of the target costs submitted. An offeror who proposes a high target cost also runs the risk of losing the competition to another whose target cost is significantly lower.

**Q. What is the other side of that equation? What do you mean by "reasonable risks?"**

If the contractor overruns, it sacrifices fee at 20¢ on every dollar until it reaches the minimum fee of 2% of the target cost. There are large penalties for transferring key personnel off the contract and having any safety or environmental mishaps. Large barriers have been created to changing the target cost once the contract has been executed. Also, the "flat spot" in the fee curve has been removed. Contractor assumption of risk will be explicitly evaluated as a part of the selection process.

**Q. For Phase II, you intend to use a Fixed Price Incentive Successive-targets (FPIS) contract. What is a FPIS contract, anyway?**

FPIS is almost the same as "Cost Plus Incentive Fee" (CPIF) except there is no minimum fee, i.e. it can go negative in extreme overrun situations, and the offeror is obliged to

submit a ceiling price that will not be exceeded in any case. The “successive targets” means that at a time specified in the contract in Phase I, the initial target cost and profit can be adjusted to account for better understanding of the expected Phase II costs. The parties to the contract may also negotiate a firm fixed price at that time, using the negotiated firm target cost and fee as a guide.

**Q. Why is this FPIS contracting vehicle being used for Phase II?**

It was originally conceived to deal with situations where the cost to perform the intended work is uncertain, but will become well known as the project evolves. That is exactly the situation that applies to the Phase II scope of work for the River Corridor contract.

**Q. How have roles been clarified?**

The contract carefully defines the role of the Contracting Officer (CO) and the Contracting Officer’s Representative (COR). The contract also establishes there will be only one COR. The contract also states that only the CO and COR can give technical direction. By statute, the DOE is responsible for regulating the possession and use of special nuclear, source, and bi-product materials, and is also responsible for regulating industrial safety on its sites. The contractor is responsible for getting the job done safely. The respective roles are quite clear.

**Q. How are the contract requirements simplified and minimized?**

The project management requirements have been written directly into the scope of work of the contract rather than relying on the more general requirements in DOE Orders. The Environment, Safety & Health requirements have been tailored to the workscope to eliminate unnecessary requirements without sacrificing any needed safety. The scope of work has been completely reduced to specified activities so as to eliminate future disputes on whether something is in or out of the work scope. Prospective offerors are being specifically requested to offer suggestions for further improvement as a part of their review and comment period on the draft RFP.

**Q. What work is included in each of Phases I and Phase II?**

The work required in Phase I is to finish the remediation of the entire 100 Area except for the K and N reactors. Buildings 324 and 327 will be demolished along with 12 smaller facilities in the 300 Area. In all during Phase I, 267 waste sites, 45 burial grounds, 31 buildings and four reactors will be remediated. Phase II will complete the remediation of the K and N reactors and the 300 Area. It will require remediating 255 waste sites, 4 burial grounds, 230 buildings, and 3 reactors in Phase II.

**Q. What is the total value of the contract?**

Because of the way the contract is structured, the total contract value depends on bids that are received as well as the actual cost of work performance. The Department of Energy currently estimates that the cost of Phase I will be \$1.5 billion and Phase II will be \$1.2 billion, but these numbers may be affected by the proposals received.

**Q. What has the DOE done to minimize incumbent advantage?**

First, the idea of phasing was intended to address this concern. The offeror's commitment to the more uncertain part of the work scope has been reduced, which makes the risk associated with the bid more manageable for a non-incumbent. Second, we have provided sufficient time in the schedule for any non-incumbents to study the scope of work and prepare a competent proposal, which includes the preparation of a target cost. Third, we have provided ample time for site tours. Fourth, we have provided sufficient time in the schedule for interested parties to ask questions and comment on the draft Request for Proposals. The Department of Energy intends to evaluate each comment received for its potential to influence the final Request for Proposals. Fifth, we placed the Department of Energy's independent cost estimate on our web site last June and will update the web site whenever the cost estimate is revised. The web site also contains technical data that expands upon, and provides details concerning the scope of work. Sixth, the Department of Energy has gone to great lengths to ensure the scope of work is as clear as possible and has eliminated open ended or uncertain elements in the scope, such as groundwater remediation. Finally, the Department of Energy held a conference with industry in March and collected input from interested parties on what could be done to achieve this goal. The Department of Energy will conduct an additional conference with industry in November.

**Q. Who may comment on the draft Request for Proposals?**

Anyone may comment on the draft Request for Proposals until November 14, 2001. The Department of Energy has provided four weeks in its schedule to evaluate and take appropriate action on the comments. The Department of Energy may receive thousands of comments and questions and will not necessarily answer each question it receives, but will provide the answers to selected questions on its procurement web site. The Department of Energy will, however, evaluate each question and comment received.

**Q: Where can I find information about the river corridor contract procurement and applicable Site documents?**

For information regarding contract procurement, please visit <http://www.hanford.gov/procure/solicit/rcc/index.asp>. For general information about Hanford and applicable Site documents, please visit [www.hanford.gov](http://www.hanford.gov).